

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6957**

**BILL NUMBER:** HB 1222

**NOTE PREPARED:** Dec 30, 2003

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemption for Farm Items.

**FIRST AUTHOR:** Rep. Gutwein

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill exempts a farmer's purchases of agricultural field tile, center pivots, and ditch pumps from the Sales Tax if the items are used in fields used to produce food and food ingredients or commodities for sale.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** The bill would require the Department of State Revenue to develop guidelines associated with the exemption. Any impact on the Department could be absorbed using existing staff and resources.

**Explanation of State Revenues:** Exempting agricultural field tile, center pivots, and ditch pumps from the state's 6% Sales Tax will reduce state Sales Tax revenue. It is estimated that the exemption could reduce state revenue by approximately \$270,000 in FY 2005 and \$310,000 in FY 2006. Due to the timing of Sales Tax remittances, the exemption will only impact collections during 11 of the 12 months that the exemption is in effect in FY 2005.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

*Background Information:* Current law (IC 6-2.5-5-2) exempts transactions involving farm machinery and equipment if the person acquiring the property acquires it for the production, extraction, harvesting, or processing of agricultural commodities. This bill broadens the exemption to include agricultural field tile,

center pivots, and ditch pumps.

The above estimate is based on state and national survey data reported in the United States Department of Agriculture's *1998 Farm and Ranch Irrigation Survey* and adjusted for historical growth. The survey reported an aggregate of expenditures on equipment and machinery costs and did not specifically detail expenditures on field tile, center pivots, and ditch pumps. Due to these data limitations, the estimate above should be considered the upper limit of the proposal's impact on Sales Tax revenue.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** United States Department of Agriculture, *1998 Farm and Ranch Irrigation Survey*.

**Fiscal Analyst:** John Parkey, 317-232-9854.